

Moving Beyond Excel Spreadsheet Trading

Many financial market firms utilize Microsoft Excel for the execution of their trading strategies. There are benefits to using this format but there are also some limitations. When looking at the timeline of your trading career, when is it time to move beyond the Excel spreadsheet?

If you look at the big picture, Excel spreadsheet trading is usually done in an earlier stage. It acts as a good format to work out kinks in your trading strategies and before you fully automate your tactics. With Excel you have the ability to perform statistical analyses, customize your trading equations and work out calculations. In fact, Spreadsheets are an efficient prototyping tool for analyzing data. They are also beneficial when exploring multi-asset class trading. Spreadsheets have the ability to communicate with one another so you can trade futures on one spreadsheet, options on another and have a third correlate the futures and options data.

The Excel Spreadsheet as a trading platform gets strained however; when the spreadsheet is communicating with too many different API's. Performance is also strained when the spreadsheet is handling large amounts of real time data or when it is working out complex computations. While a spreadsheet can perform well with a variety of different add-ons, it eventually will not be able to handle your business needs. Traders get a taste of all the available features they can utilize and the spreadsheet turns into something it was not designed to be.

As business grows, the spreadsheet becomes a web of trading functionalities and the user eventually loses the advantages Excel first offered. It is when firms try to push the spreadsheet beyond its limits that the problems arise. The application was designed for analyzing data, not as a trading tool. When a trading spreadsheet becomes strained, the market data stream falls a few ticks behind and traders utilize stale data. It also executes trades slower than normal and puts the user at a disadvantage in the market place.

Excel spreadsheets also hinder high frequency trading because of the way it responds to data and events. It also contains restrictions in volume and memory and limitations on market data. Finally, Excel spreadsheets do not have a built-in risk management system. In our sophisticated trading environment, managing risk is a requirement.

So when do you hit the Excel limit and need to make the jump forward? Let's be honest, you want to do it before you are forced to do it.

If you feel like your trading platform is holding you back, it's time to evaluate alternative solutions. If your business is increasing and your system can't meet the demands, you should look into other options. If you execute profitable trading strategies or if you desire a variety of additional features, you should consider a new trading approach. There are various platforms, tools and custom systems to take advantage of that will maximize your trading profits. These options are specifically designed for trading unlike Excel which, again, is an analysis tool.

Advancements in technology have enabled traders all over the world to customize their systems specifically to meet their needs. If you want to move beyond Excel trading but are unfamiliar with the technical landscape, find a firm that can explain your options. If you have the right people by your side, the transition to a more appropriate platform will be almost seamless.